COMMERCIAL CREDIT COMPANY

File

FINANCING
INSURING
MANUFACTURING

1962

FIFTY-FIRST ANNUAL REPORT

FIFTY-FIRST ANNUAL REPORT

YEAR ENDED DECEMBER 31, 1962

COMMERCIAL CREDI

Administrative Offices—

Corporate Offices—

Transfer Agent for Common Stock and
Co-Transfer Agent for Preferred Stock—

Registrar for Common Stock and
Co-Registrar for Preferred Stock—

Transfer Agent for Preferred Stock—

Registrar for Preferred Stock—

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COMPANY AND SUBSIDIARIES

00 St. Paul Place - Baltimore 2, Md.

00 W. Ninth St. - Wilmington 1, Del.

HE CHASE MANHATTAN BANK
New York 15, New York

MORGAN GUARANTY TRUST COMPANY OF NEW YORK
New York 15, New York

MELLON NATIONAL BANK AND TRUST COMPANY
Pittsburgh 30, Pennsylvania

PITTSBURGH NATIONAL BANK
Pittsburgh 30, Pennsylvania

D K. DUNN

ALBERT H. GORDON

WILLIAM A. GRAHAM

MUECKE, JR.

GERRIT J. POPMA

HOWARD E. SIMPSON

E. YAGGY, JR.

WILLIAM G. YOUNG

CHARLES J. ZIMMERER

FIFTY-FIRST A

YEAR EN

DIRECTORS

JAMES BRUCE
Director of various corporations

THOMAS B. BUTLER
Chairman of the Board,
Mercantile-Safe Deposit & Trust Company

JAMES COGGESHALL, JR.
Director, The First Boston Corporation

ALEXANDER E. DUNCAN
Founder Chairman

EDWARD K. DUNN
of Robert Garrett & Sons

ALBERT H. GORDON
of Kidder, Peabody & Co.

WILLIAM A. GRAHAM
Attorney

CHARLES C. GREENE
President

EDMUND L. GRIMES
Chairman

H. B. MATHEWS
Retired

HAROLD J. MEREDITH
President, The City Loan and Savings Company

BERTHOLD MUECKE, JR.
Vice President-General Counsel

GERRIT J. POPMA
President, Textile Banking Company, Inc.

HOWARD E. SIMPSON
Chairman of the Board,
Baltimore & Ohio Railroad Company

HAROLD A. SMITH
of Winston, Strawn, Smith & Patterson

E. C. WAREHEIM
Retired

A. N. WILLIS
Vice President

J. THEODORE WOLFE
Chairman of the Board,
Baltimore Gas & Electric Company

EDWARD E. YAGGY, JR.
President, Gerotor May Corporation

WILLIAM G. YOUNG
President, The Grabler Manufacturing Company

CHARLES J. ZIMMERER
Vice President

JAMES BRUCE

THOMAS B. BUTLER

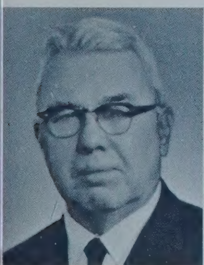
CHARLES C. GREENE

EDMUND L. GRIMES

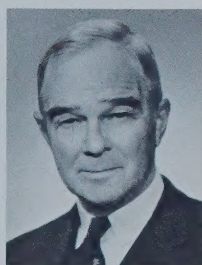
HAROLD A. SMITH

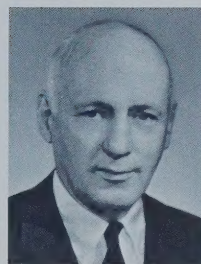
E. C. WAREHEIM

DIRECTORS

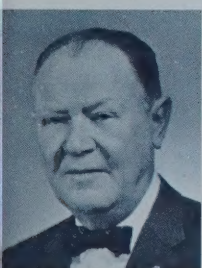

James Coggeshall, Jr.

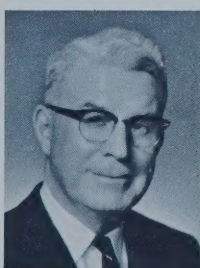

Alexander E. Duncan

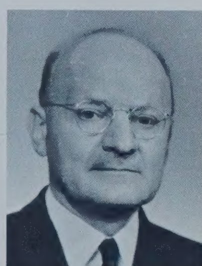

Edward K. Dunn


Albert H. Gordon


William A. Graham

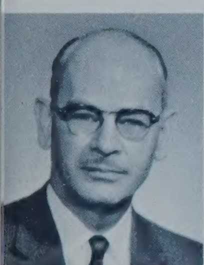

H. B. Mathews


Harold J. Meredith

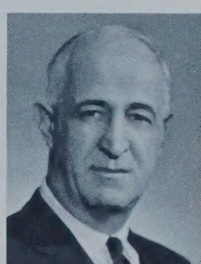

Berthold Muecke, Jr.


Gerrit J. Popma


Howard E. Simpson


A. N. Willis


J. Theodore Wolfe


Edward E. Yaggy, Jr.


William G. Young


Charles J. Zimmerer

COMMERCIAL CREDIT COMPANY AND SUBSIDIARY COMPANIES

IN 1962

HAD NET OPERATING EARNINGS of $33 220 789
($2 96 per share) after taxes

SET ASIDE $25 809 404 ($2 42 per share) for United States
and Canadian income taxes

PAID $18 493 649 in DIVIDENDS
to more than 35,000 stockholders

PAID AN INTEREST BILL of $66 582 405

STOCKHOLDERS' EQUITY at year end was $302 378 306
($24 94 per share of common stock)

HAD DEPOSIT CERTIFICATES AND SAVINGS
ACCOUNTS outstanding of $112 467 091

OWED $1 641 306 500 at year end to others on unsecured
notes, both short and long-term

HAD TOTAL ASSETS of $2 283 302 196 at year end, as
shown on its consolidated balance sheet

PAID SALARIES, commissions and wages of $78 680 249
to approximately 14,300 employes

HAD RESERVES available for credit to future operations
of $202 350 441 at year end

THE ANNUAL MEETING OF STOCKHOLDERS

will be held at 11:00 a.m. on Thursday, March 28, 1963 at the corporate office of the Company, 200 W. Ninth Street, Wilmington 1, Del. Stockholders are cordially invited to be present. Those unable to attend are urged to exercise their right to vote by proxy.

To Our Stockholders:

In reviewing the operations of Commercial Credit Company for the year 1962, it is evident that the results are but a reflection of ideas woven into the structure of the Company years before.

It is our responsibility to have manpower available to combine with capital to the end that both yield an adequate return. From time to time we must of necessity add to, shift or subtract from the manpower or capital or both. Our entrance into the credit life insurance business several years ago, as owners and operators of a company specializing in that type of risk, is an example of using both manpower and capital already on hand in a new development. In the acquisition of The Farmers & Bankers Life Insurance Company of Wichita, Kansas, in 1962, we used capital on hand and added new manpower, opening a new market for the further utilization of both. This also was true in the acquisitions of certain loan companies made this year.

The addition of The City Loan and Savings Company of Lima, Ohio, in 1961, was an example of using new capital and acquiring new manpower. The new capital furnishes an adequate return, but a very important attribute of this acquisition is the new manpower made available. This manpower today is furnishing a know-how to other units of our organization that is of assistance in securing an adequate return on capital already on hand but which must seek a different outlet because of changes in the economy and local competition.

All this is being undertaken along with our regular business in an economic atmosphere that is more and more unpredictable and with competition in the main fields of our activities increasing.

One of the events of the year that has been most rewarding is the continuing contribution of the individual employe, not only on behalf of himself but as a member of the team. In many instances local competition has required that he seek a better utilization of capital entrusted to him, with less supervision. In other instances, men of long years of experience in one phase of activity have acclimated themselves to a whole new marketing field. It is this ability of the employe and the fluidity of capital that are the earmarks of Commercial Credit Company's position in industry today.

By constantly researching new ideas, refining facilities and personnel on hand, the finance companies are participating in an increasing share of the available market with the result that they showed a larger net profit for the year 1962 than for the previous year.

The insurance subsidiaries, other than The Farmers & Bankers Life Insurance Company (which first appears in our 1962 statement), operated at a smaller profit. Due to favorable loss experience over a period of years, our credit life insurance subsidiary reduced rates charged to the public on certain types of business, and this accordingly was one of the contributing factors to the smaller profit.

In the manufacturing field, while profits increased, they did not reach expectations. The operations at Bolivar, Tennessee are being liquidated due to the unsatisfactory return on our investment, with no apparent opportunity to correct that situation.

The Company was able to operate in a favorable short term money market during 1962. Its short term "commercial paper" obligations are accepted as a prime investment by many of the larger and more successful industrial corporations, and a wide variety of institutional investors. The daily average for such form of borrowing in 1962 was $737,886,400.

Much is being discussed relative to the Federal Tax structure and the possible reduction in the rates in 1963 to create a more profitable economic atmosphere. Many words will be spoken and written before any conclusion is reached. Any reduction in the corporate rate in the neighborhood of the amount proposed would have a material effect on the net earnings of your Company.

We appreciate the confidence of our Stockholders, the guidance of our Directors and the efforts of each employe which, collectively, have made 1962, our 50th year, a most successful one.

Respectfully,

E. L. Grimes

Chairman

February 26, 1963

The consolidated net income of the Company for the year amounted to $33,220,789, and after providing for dividends on the preferred stock, the earnings per share on the common stock outstanding amounted to $2.96. This compares with $2.86 reported for the previous year or $2.87 on a comparable basis of shares outstanding.

At December 31, 1962 the Company had outstanding 371,244 shares of 4½% cumulative convertible preferred stock held by 3,961 stockholders and 10,632,987 shares of common stock held by 34,766 stockholders. The preferred stock has been listed for trading on The New York Stock Exchange. More detailed historical data relating to the Company's operations during the last ten years may be found on pages 14 and 15.

The acquisition of The Farmers & Bankers Life Insurance Company, consummated during the year, has been accounted for as a "pooling of interests" and accordingly, consolidated net income includes the Company's share of its earnings for the entire year. This treatment accounts for increased earnings of $763,282, or to the extent of $.07 per share and also had the effect of reducing the book value of the common stock to the extent of $.45 per share under what it would have been if not so treated. Including the earnings of The Farmers & Bankers Life Insurance Company in the Company's 1961 income, for comparative purposes, increases 1961 earnings from $2.86 per share, as previously reported, to $2.91 per share. The 231,737 shares of common stock of the Company required to effect this acquisition were purchased by the Company in the open market during the years 1961 and 1962, principally in 1962. No new shares of common stock were issued.

The earnings of the finance subsidiaries increased $959,095 over 1961. Those of the insurance companies (exclusive of The Farmers & Bankers Life Insurance Company) decreased $975,869 and the earnings of the manufacturing group increased $311,552.

Total indebtedness at December 31, 1962 was $1,641,306,500, an increase of $178,891,000 for the year. At the end of the year, short-term indebtedness amounted to $932,806,500. In December, 1962 the Company paid a funded loan that was due January 1, 1963 in the principal amount of $50,000,000. The per annum cost of money borrowed during the year was less than 1/10 of 1% higher than in 1961.

The Year in Review

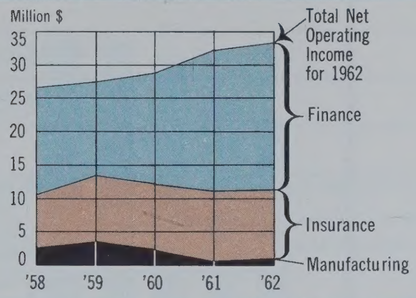
CONSOLIDATED OPERATIONS

COMPARATIVE STATEMENT OF FINANCIAL CONDITION

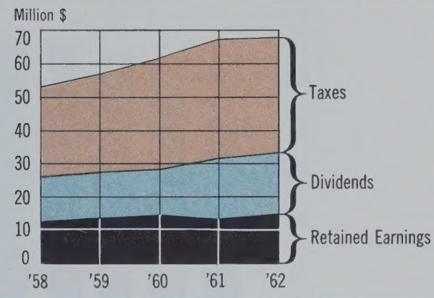
as of December 31,

	1962	1961	CHANGE
Assets:			
Cash	$ 60 712 636	$ 76 169 281	— $ 15 456 645
Securities	129 991 670	114 524 972	+ 15 466 698
Receivables	2 134 381 220	1 941 746 373	+ 192 634 847
Reserves	*169 811 687*	*151 447 811*	+ *18 363 876*
Other assets	69 811 881	54 418 621	+ 15 393 260
Fixed assets	43 422 817	36 597 251	+ 6 825 566
Deferred charges	14 793 659	13 392 613	+ 1 401 046
	$2 283 302 196	$2 085 401 300	+ $197 900 896
Liabilities:			
Deposits	$ 112 467 091	$ 113 784 667	— $ 1 317 576
Short-term notes	932 806 500	699 915 500	+ 232 891 000
Other short-term liabilities	108 767 836	102 234 984	+ 6 532 852
Reserves	118 382 463	114 158 176	+ 4 224 287
Long-term notes	508 500 000	562 500 000	— 54 000 000
Subordinated long-term notes	200 000 000	200 000 000	
Stockholders' equity	302 378 306	292 807 973	+ 9 570 333
	$2 283 302 196	$2 085 401 300	$197 900 896

CONSOLIDATED NET INCOME



COMPOSITION OF TOTAL EARNINGS



During the year the Company re-examined many of its credit lines with banking institutions and where deemed advisable, some of them were reduced or dropped entirely, thus saving the expense of maintaining compensating balances. The credit lines aggregated $680,607,000 at December 31, 1962, of which $323,867,000 was in use and the balance of $356,740,000 was available. On the same date the Company had borrowed $604,939,500 in the commercial paper market on a short-term basis. The City Loan and Savings Company had deposits of $112,467,091 at the year end.

The reserve for unearned income totalled $176,900,788 at December 31, 1962, of which $144,362,034 was applicable to the finance operations and $32,538,754 to the insurance operations, other than life insurance. This represents a 10.6% increase over the previous year. The reserve for possible losses, set up out of the operating income of the finance and insurance subsidiaries (other than life insurance subsidiaries) aggregated $34,241,464, made up as follows: $13,955,747 for possible losses on motor, farm equipment and other retail; $1,240,429 on motor, farm equipment and other wholesale; $5,915,453 for loan receivables; $4,338,024 for factoring, open accounts, leases, notes and mortgages, and $8,791,811 for losses applicable to the insurance operations. The life insurance subsidiaries had life reserves of $54,876,569. The above loss reserves do not include reserves withheld at the time of the purchase of receivables pending liquidation thereof, which amounted to $35,180,918 at December 31, 1962. On this same date, another reserve of $34,289,949 was held as customers' (principally dealers') loss reserves, which are available for application to specific transactions. The manufacturing subsidiaries held reserves of $239,404, available for bad debts.

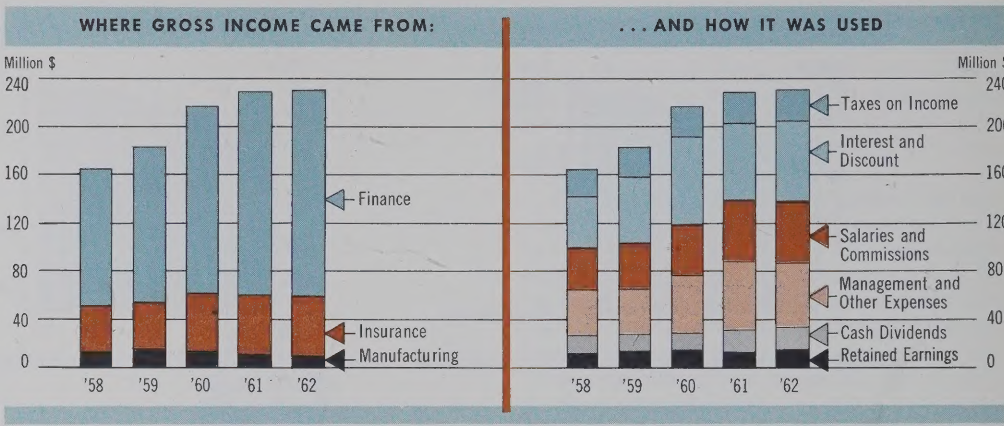
All losses incurred in the Billie Sol Estes fraud have been written off, and there will be no further charge to income.

We increased contingency reserves during the year, the largest item being the sum of $2,140,996 added to the reserve for security fluctuations of

SIGNIFICANT FIGURES

	1962	1961	1960	1959	1958
Salaries, commissions and factory wages	$78 680 249	$77 910 517	$72 273 600	$66 386 199	$62 620 127
Interest paid	66 582 405	63 407 135	71 868 626	56 017 125	42 732 824
Taxes—federal, state	34 548 019	35 189 789	32 846 308	29 215 721	26 417 541
Cash dividends paid	18 493 649*	16 329 553*	14 232 782	14 211 051	14 157 085
Retained in the business	14 654 722	13 604 657	14 638 563	13 649 816	12 645 306
Number of employes:					
Finance Companies	7 876	7 987	7 181	7 078	6 286
Insurance Companies	1 244	1 198	1 106	1 085	1 193
Manufacturing Companies	5 225	5 076	5 335	5 387	5 174
Total	14 345	14 261	13 622	13 550	12 653

* Excluding cash dividends of $2 228 520 in 1961 and $72 418 in 1962 paid to stockholders of "pooled" companies.



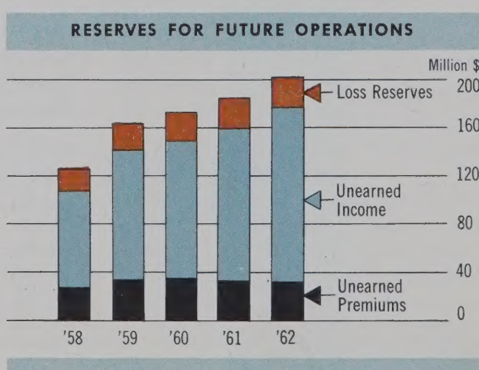
insurance subsidiaries, other than life insurance. This is the net amount after capital gains tax realized by our insurance subsidiaries on the sale of securities during 1962.

The acquisition of The Farmers & Bankers Life Insurance Company was consummated during the year. The holders of 97.4% of its shares exchanged their stock under the plan which provided for them to receive 3.2 shares of Commercial Credit Company common stock for 1 of their shares.

The Company, together with a former subsidiary, namely Kilgore, Inc. (since liquidated), conveyed by gift all of the real property owned in Westerville, Ohio, and an adjoining farm, to Otterbein College. The operations in Westerville had been terminated and the college not only was in need of property but was prepared to develop the vacant property involved. In this way we helped the College meet some of its needs and at the same time, made a contribution towards the furtherance of education in the community.

With respect to the "investment incentive tax credit" provision included in the Revenue Act of 1962, it is in order to state that the Company and its subsidiaries have followed the accounting practice of applying the credit as a reduction in the asset value of the qualified property, rather than including the sum as income in the year 1962.

Several changes were made in our official family during the year. Mr. G. J. Popma, President of Textile Banking Company, Inc., and Mr. A. N. Willis, then President of Commercial Credit Equipment Corp., were elected Directors at the stockholders meeting in March. Since then, Mr. Willis, Mr. J. W. Newman and Mr. Michael Sheehan have been elected and are now, Vice Presidents of the Company. Mr. Richard Null has been elected to the new office of General Auditor.



Auditors' Certificate

F. W. LAFRENTZ & CO.
CERTIFIED PUBLIC ACCOUNTANTS
BALTIMORE, MARYLAND

To the Board of Directors and Stockholders of
Commercial Credit Company:

We have examined the balance sheet of Commercial Credit Company consolidated with its Subsidiary Companies as of December 31, 1962, and the related statements of operations and surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The accompanying financial statements include the investment in and the surplus of The Farmers & Bankers Life Insurance Company, combined as of December 31, 1962, in accordance with the "pooling of interests" accounting principles discussed on page 6 hereof, which statements together with those of the Company's other non-consolidated Life Insurance Subsidiary and its Canadian Subsidiaries, have been examined by other Independent Public Accountants whose reports thereon have been accepted by us.

In our opinion, the accompanying consolidated balance sheet and the related statements of operations and surplus present fairly the consolidated financial position of Commercial Credit Company and its Subsidiary Companies as of December 31, 1962, and the results of their consolidated operations for the year then ended, in conformity with generally accepted accounting principles, or as otherwise prescribed for insurance companies by state regulatory authorities, applied on a basis consistent with that of the preceding year.

The accompanying balance sheets of "Commercial Credit Company consolidated with those of its Finance Subsidiary Companies Only," of "Insurance Companies" and of "Manufacturing Companies," in our opinion, present fairly the financial position of those companies as of December 31, 1962.

F. W. LAFRENTZ & CO.

February 25, 1963.

CONSOLIDATED BALANCE

ASSETS

CURRENT ASSETS:		
Cash in banks and on hand		$ 60 712 636
Marketable securities:		
U. S. Government obligations	$ 45 142 687	
Canadian Government obligations	1 882 298	
Other bonds and notes	67 671 330	
Stocks	15 295 355	
Total—cost or amortized value (market $136 575 555)		129 991 670
Accounts and notes receivable:		
Motor retail	678 306 095	
Farm equipment, mobile homes and other retail	385 394 805	
Loan receivables	297 480 363	
Motor wholesale	191 233 610	
Factoring, open accounts, leases, other wholesale notes and mortgages	572 965 605	
Sundry accounts and notes receivable	9 000 742	
Total	2 134 381 220	
Less reserves for:		
Unearned income	144 362 034	
Losses on accounts and notes receivable	25 449 653	
Total reserves	169 811 687	
Total accounts and notes receivable less reserves		1 964 569 533
Other current assets:		
Trade accounts and notes receivable (less reserve for bad debts) "Manufacturing Companies"	12 528 785	
Premiums receivable—"Insurance Companies"	1 294 405	
Inventories—"Manufacturing Companies"	21 745 945	
Total other current assets		35 569 135
Total Current Assets		2 190 842 974
INVESTMENTS IN NON-CONSOLIDATED SUBSIDIARIES		32 613 018
FIXED AND OTHER ASSETS:		
Land, buildings and equipment—less accumulated depreciation, including net equity in building subject to lien of $3 105 019	43 422 817	
Repossessions	1 629 728	
Total fixed and other assets		45 052 545
DEFERRED CHARGES:		
Prepaid interest, discount and debt expense	10 503 166	
Prepaid insurance and expenses	4 290 493	
Total deferred charges		14 793 659
		$2 283 302 196

Bonds carried at $3 760 676 were on deposit as required by law.

The terms of certain of the Company's long-term indebtedness provide that the Company will not permit net worth to be less than certain percentages of subordinated debt outstanding. Of the surplus at December 31, 1962, $127 378 306 is free of such restriction.

SHEET as of December 31, 1962

LIABILITIES, CAPITAL AND SURPLUS

CURRENT LIABILITIES:		
Deposit certificates and savings accounts	$ 112 467 091	
Notes payable—unsecured short term	932 806 500	
Credit balances of manufacturing and selling agents	34 078 572	
Interest accrued on indebtedness	8 417 363	
Due customers only when receivables are collected	35 180 918	
United States and Canadian income taxes	22 210 815	
Other taxes and accounts payable	43 937 106	
Customers' loss reserves	34 289 949	
Reserve for losses and loss expense—"Insurance Companies"	8 791 811	
Total Current Liabilities		**$1 232 180 125**
UNEARNED PREMIUMS—"INSURANCE COMPANIES"		**32 538 754**
RESERVES FOR:		
Fluctuations in security values	5 095 004	
Canadian exchange fluctuations	2 486 027	
Minority interests in subsidiaries	123 980	
Total reserves		**7 705 011**
UNSECURED NOTES AND LOANS		**508 500 000**
SUBORDINATED INDEBTEDNESS		**200 000 000**
CAPITAL STOCK AND SURPLUS:		
Preferred Stock—4½% Cumulative Convertible $100 par value:		
Authorized—500,000 shares		
Issued and outstanding—371,244 shares	37 124 400	
Common Stock—$5 par value:		
Authorized—15,000,000 shares		
Issued and outstanding—10,691,113 shares	53 455 565	
Capital surplus	6 708 465	
Earned surplus	207 092 817	
	304 381 247	
Less cost of 58,126 shares of common stock held in treasury	2 002 941	
Total capital stock and surplus		**302 378 306**
		$2 283 302 196

During the year, 52,510 shares of treasury stock were allocated to Stock Option Plan #2 and options for 49,680 shares granted thereunder. Stock Option Plan #1 has terminated with options unexercised for 102,485 shares still issuable from authorized but unissued shares.

Summary of Consolidated Operations

for the Year Ended December 31, 1962

Gross receivables acquired		$4 479 791 586
Written insurance premiums, prior to reinsurance		41 769 895
Net sales—"Manufacturing Companies"		129 370 877
Discounts, commissions and service charges—less provision for losses	$167 687 604	
Earned insurance premiums, fees, etc.	38 835 835	
Gross profit on manufacturing sales	11 246 639	
Net income of non-consolidated life insurance subsidiaries	6 446 958	
Income on investments and other income	6 530 446	
Gross Income		**230 747 482**
Salaries and commissions	49 224 459	
Other management expenses	28 866 223	
Reserve for losses in excess of net losses of "Finance Companies"—*Credit*	*8 073 180*	
Insurance losses paid and loss adjustment expenses	27 994 504	
Taxes (except those in cost of sales or set forth below)	7 112 471	
Total expenses, reserves, etc.		**105 124 477**
Net Income before Interest		**125 623 005**
Interest and discount		66 582 405
Balance		**59 040 600**
U. S. and Canadian taxes on income		25 809 404
Net Income from Operations		**33 231 196**
Income for minority interests		10 407
Net Income Credited to Earned Surplus		**$ 33 220 789**

Analyses of Consolidated Earned and Capital Surplus

for the Year Ended December 31, 1962

EARNED SURPLUS

ADDITIONS:			
Net income credited to earned surplus			$ 33 220 789
Cost of furniture, fixtures and leasehold improvements previously charged to earned surplus, recovered through depreciation charged to operations			860 338
Total additions			34 081 127
DEDUCTIONS:			
Dividends paid in cash on preferred stock		$ 1 670 743	
Dividends paid in cash on common stock		16 822 906	
Furniture, fixtures and leasehold improvements written off		639 230	
Provision for Canadian exchange fluctuations		693 028	
Excess of cost over par value of common stock reacquired	$9 963 333		
Less opening balance of "pooled" company, after deducting dividends paid of $72 418 and pooling costs of $359 121	5 057 355	4 905 978	
Total deductions			24 731 885
Net addition for period			9 349 242
Earned surplus January 1			197 743 575
Earned surplus December 31			$207 092 817

CAPITAL SURPLUS

ADDITIONS:		
Excess of par value of convertible preferred stock over par value of common stock issued in conversion		$ 15 840
Premium on common stock issued under Company employes' stock option plans		623 303
Total additions		639 143
DEDUCTIONS:		
Excess of par value of common stock issued over par value of capital stock of "pooled" company received in exchange therefor	$ 434 505	
Excess of cost over par value of common stock reacquired	356 455	
Total deductions		790 960
Net deduction for period		151 817
Capital surplus January 1		6 860 282
Capital surplus December 31		$ 6 708 465

Ten Year

Year Ended December 31,	1962	1961	1960
RECORD OF OPERATIONS:			
Operating Income	**$ 230 747 482**	$ 229 573 967	$ 216 549 607
Operating Expenses:			
Management expenses	**85 213 560**	83 729 915	71 016 172
Interest and discount	**66 582 405**	63 407 135	71 868 626
Reserves in excess of net losses—*Credit*	***8 073 180***	*3 514 460*	*6 857 055*
Insurance losses paid and loss adjustment expenses	**27 994 504**	26 680 520	26 126 339
Total	**171 717 289**	170 303 110	162 154 082
Net operating income	**59 030 193**	59 270 857	54 395 525
Federal income taxes	**25 809 404**	27 108 127	25 524 179
Net income	**$ 33 220 789**	$ 32 162 730	$ 28 871 346
COMMON STOCK (a)			
Number shares outstanding	**10 632 987**	10 597 923	10 137 858
Net income per share	**$ 2 96**	$ 2 87	$ 2 84
Dividends per share	**1 60**	1 60	1 40
Book value per share	**24 94**	24 12	25 05
SOURCE OF EMPLOYED ASSETS:			
Employed assets	**$2 283 302 196**	$2 085 401 300	$2 073 785 278
Provided by:			
Deposit certificates and savings accounts	**112 467 091**	113 784 667	
Short-term borrowed capital	**932 806 500**	699 915 500	875 583 500
Long-term borrowed capital			
Senior	**508 500 000**	562 500 000	559 735 000
Subordinated	**125 000 000**	125 000 000	125 000 000
Junior subordinated	**75 000 000**	75 000 000	75 000 000
Total Borrowed Capital	**1 753 773 591**	1 576 200 167	1 635 318 500
Preferred stock	**37 124 400**	37 142 000	
Common stock	**53 455 565**	53 294 665	51 003 290
Capital surplus	**6 708 465**	6 860 282	30 581 494
Earned surplus	**207 092 817**	197 743 575	174 435 162
Total Invested Capital	**304 381 247**	295 040 522	256 019 946
Common stock held in treasury	**(2 002 941)**	(2 232 549)	(2 113 233
	302 378 306	292 807 973	253 906 713
Reserves, accrued taxes and other liabilities	**227 150 299**	216 393 160	184 560 065
Total Liabilities and Net Worth	**$2 283 302 196**	$2 085 401 300	$2 073 785 278

(a) Adjusted for stock distribution of one share for each share held July 1, 1952 and one share for each share held April 5, 1961; years 1961 and 1960 restated giving effect to application of treasury shares to number shares outstanding.

Financial Summary

1959	1958	1957	1956	1955	1954	1953
$ 182 805 970	$ 163 672 045	$ 174 725 311	$ 161 568 389	$ 145 235 738	$ 135 608 325	$ 148 679 862
64 959 221	59 489 858	58 370 052	52 836 481	49 632 790	49 497 961	47 471 379
56 017 125	42 732 824	47 699 540	37 133 947	24 922 052	20 602 557	25 136 968
8 971 907	*7 852 767*	*9 032 671*	*6 911 974*	*7 716 788*	*4 962 425*	*6 885 072*
19 853 016	21 054 851	26 423 947	26 973 832	24 200 444	25 078 511	30 803 013
131 857 455	115 424 766	123 460 868	110 032 286	91 038 498	90 216 604	96 526 288
50 948 515	48 247 279	51 264 443	51 536 103	54 197 240	45 391 721	52 153 574
23 087 649	21 444 888	24 367 474	25 057 432	28 012 310	21 162 948	28 305 583
$ 27 860 866	$ 26 802 391	$ 26 896 969	$ 26 478 671	$ 26 184 930	$ 24 228 773	$ 23 847 991
10 165 026	10 132 510	10 091 130	10 067 290	10 031 032	9 970 592	9 154 102
$ 2 74	$ 2 64	$ 2 66	$ 2 63	$ 2 61	$ 2 43	$ 2 60
1 40	1 40	1 40	1 40	1 32½	1 30	1 20
23 71	22 43	21 36	20 14	18 94	17 67	16 17
$1 892 037 870	$1 495 956 498	$1 619 808 994	$1 451 768 502	$1 413 555 330	$ 955 803 109	$1 068 696 693
860 956 000	555 356 000	736 261 500	698 810 917	790 319 000	363 162 500	483 290 000
452 500 000	444 000 000	394 000 000	319 000 000	171 875 000	184 737 500	192 625 000
100 000 000	100 000 000	100 000 000	55 000 000	80 000 000	77 500 000	75 000 000
75 000 000	25 000 000	25 000 000	25 000 000	25 000 000	25 000 000	25 000 000
1 488 456 000	1 124 356 000	1 255 261 500	1 097 810 917	1 067 194 000	650 400 000	775 915 000
50 825 131	50 662 551	50 455 651	50 336 451	50 155 161	49 852 961	45 770 510
30 084 642	29 683 267	29 170 012	28 898 274	28 515 984	27 910 552	15 591 922
160 157 622	146 980 590	135 929 587	123 527 230	111 344 792	98 484 681	86 735 773
241 067 395	227 326 408	215 555 250	202 761 955	190 015 937	176 248 194	148 098 205
162 514 475	144 274 090	148 992 244	151 195 630	156 345 393	129 154 915	144 683 488
$1 892 037 870	$1 495 956 498	$1 619 808 994	$1 451 768 502	$1 413 555 330	$ 955 803 109	$1 068 696 693

Supplemental Balance Sheet Information

as of December 31, 1962

DEPOSIT CERTIFICATES AND SAVINGS ACCOUNTS		$112 467 091
UNSECURED NOTES AND LOANS:		
DUE WITHIN ONE YEAR:		
Open market notes:		
United States	$590 804 500	
Canada	14 135 000	
Bank loans:		
United States	321 317 000	
Canada	2 550 000	
Term debt:		
4½ % Notes due Feb. 1, 1963 (Canada)	4 000 000	
	932 806 500	
*Other notes and loans	34 078 572	
TOTAL DUE WITHIN ONE YEAR		$966 885 072
DUE SUBSEQUENT TO ONE YEAR:		
United States:		
3½ % Notes due June 1, 1965	$ 30 000 000	
3.35% Notes due Jan. 15, 1968	15 000 000	
3¾ % Notes due Nov. 1, 1969	30 000 000	
4¼ % Notes due Oct. 1, 1974	75 000 000	
3⅝ % Notes due Feb. 1, 1976	75 000 000	
5 % Notes due June 1, 1977	75 000 000	
4⅛ % Notes due Jan. 1, 1978	50 000 000	
4¾ % Notes due July 1, 1979	50 000 000	
5¼ % Notes due Jan. 1, 1980	50 000 000	
4¾ % Notes due Nov. 1, 1980	50 000 000	
Canada:		
6 % Notes due July 1, 1979	8 500 000	
TOTAL DUE SUBSEQUENT TO ONE YEAR		$508 500 000
SUBORDINATED INDEBTEDNESS (United States):		
Subordinated Long-Term Notes:		
3.95% Notes due June 1, 1964	$ 25 000 000	
3⅞ % Notes due Nov. 1, 1966	20 000 000	
5½ % Notes due Sept. 1, 1972	30 000 000	
4½ % Notes due March 1, 1977	25 000 000	
5⅝ % Notes due Jan. 1, 1985	25 000 000	
Junior Subordinated Long-Term Notes:		
3⅝ % Notes due Sept. 15, 1969	25 000 000	
5⅜ % Notes due May 1, 1984	50 000 000	
TOTAL SUBORDINATED INDEBTEDNESS		$200 000 000

* Credit balances of manufacturing and selling agents, a liability of a wholly owned subsidiary, Textile Banking Company, Inc., the net worth of which, plus $20 000 000 subordinated note at December 31, 1962, was $40 492 097, all owned by Commercial Credit Company.

Consolidated net income of the finance subsidiaries, after all charges and provisions for taxes, increased to $21,740,130 for the year 1962 from $20,781,035 for 1961. It is of interest to note that the amounts set aside for future expenses and earnings increased from $127,392,284 at December 31, 1961 to $144,362,034 at December 31, 1962. This is the highest in the history of the company.

Total receivables of all types outstanding at December 31, 1962 amounted to $2,133,008,821, an increase of 9.9% over the amount outstanding at the end of 1961. Total receivables acquired during 1962 amounted to $4,479,791,586, compared with $3,965,331,917 for 1961, an increase of 13%.

The Year in Review

FINANCE COMPANIES

New car retail sales in the automotive industry showed a marked increase during 1962, rising 18% from 1961. The number of new cars financed by our subsidiaries also showed an increase for 1962 of 27%. This reflects an improved ratio of new car retail volume in relation to the total business available, even though competition continues exceptionally keen.

Motor wholesale outstandings at year end were up $31,652,804, or 19.8% over December 31, 1961. This increase, considering the improved retail sales as compared with a year ago, would indicate a healthy situation with respect to inventories in the possession of dealers. It is estimated that cars on hand in dealer inventory at December 31, 1962 would have accommodated retail sales for the following forty-nine days.

Public acceptance of the 1963 model cars has been most favorable. The automotive industry predicts volume of retail sales will be comparable to 1962. At present our motor retail volume continues to run ahead of a year ago in a somewhat better ratio than the increase in retail sales. We are hopeful that this trend continues.

An important part of our continuing program of diversification is in direct, personal loans to the consumer. Such loans outstanding at year end showed an increase of 24.7% over December 31, 1961. A small part of this increase resulted from our acquisition of four loan companies operating in limited local areas. During the year the Company acquired North Central Finance Corporation,

SUMMARY OF OPERATIONS

Commercial Credit Company and Finance Subsidiaries

	1962	1961
Gross income after loss reserves	$ 170 599 417	$ 169 337 407
Salaries, commissions—compensation	38 523 076	38 950 337
All other operating expenses	29 298 891	26 996 722
Reserves in excess of net losses—*Credit*	*8 073 180*	*3 514 460*
Net income before interest and discount	110 850 630	106 904 808
Interest and discount	66 107 901	62 978 068
Net income before U. S. and Canadian taxes on income	44 742 729	43 926 740
U. S. and Canadian taxes on income	23 002 599	23 145 705
Net income from current operations	$ 21 740 130	$ 20 781 035
Accounts and notes receivable acquired	$4 479 791 586	$3 965 331 917
Accounts and notes receivable outstanding	2 133 008 821	1 940 415 097
Reserves for unearned income—applicable to instalment receivables	$ 144 362 034	$ 127 392 284
Reserves for losses on accounts and notes receivable outstanding	25 449 653	24 055 527

MATURITY OF RECEIVABLES

	Receivables Outstanding Dec. 31, 1962	Due First Half 1963	Due Last Half 1963	Due First Half 1964	Due After June 30, 1964
Motor retail	$ 678 306 095	$ 230 416 269	$169 532 755	$123 300 800	$155 056 271
Farm equipment, mobile homes and other retail	385 394 805	80 852 545	115 609 524	49 232 867	139 699 869
Loan receivables	297 480 363	125 725 996	87 923 341	52 544 669	31 286 357
Motor wholesale	191 233 610	191 233 610			
Factoring, open accounts, leases, other wholesale notes and mortgages	572 965 605	420 566 520	38 330 468	29 466 523	84 602 094
	2 125 380 478	1 048 794 940	411 396 088	254 544 859	410 644 591*
Sundry accounts and notes receivable	7 628 343	7 628 343			
Total	$2 133 008 821	$1 056 423 283	$411 396 088	$254 544 859	$410 644 591
Percentage	100%	49.53%	19.29%	11.93%	19.25%

* $160 128 443 due 1965—$57 964 605 due 1966 and after.

Citizens Loan Corporation, Merchants Discount Company and The Master Securities Company, further increasing our penetration into the small loan field. These acquisitions added 45 new small loan offices in Illinois, Indiana, Maryland, Virginia, and Georgia, and added over $16,000,000 in small loan outstandings. All of these companies were acquired for cash.

The primary purpose of such acquisitions was to secure loan licenses in desirable areas. We further benefited in acquiring an increased staff of experienced loan personnel. Since loan licenses in many states are difficult, if not impossible, to secure, additional acquisitions of existing loan companies may be considered in order to secure licenses in strategically desirable locations. It will be our purpose in 1963 to continue the expansion of our activities in this field of financing.

During 1962 certain changes in operational procedures and organization were put into effect in the instalment and loan offices of Commercial Credit Corporation. These changes resulted in a considerable savings in operating expenses during the year. Further improvement can be anticipated as the offices become more adjusted to the new program.

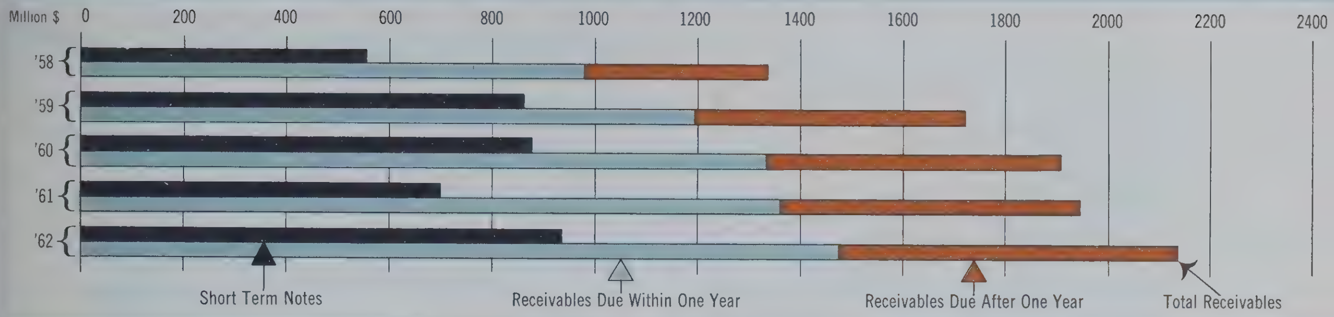
Loss experience on the receivables of the finance companies improved materially in 1962 over 1961.

Of the total instalment accounts and notes receivable at December 31, 1962, aggregating $1,361,181,263, the sum of $1,870,165 had been carried longer than 90 days beyond maturity. Of the total motor and other wholesale receivables aggregating $224,624,328, the sum of $6,228,811 had been carried longer than 90 days beyond maturity. The maximum maturity of motor wholesale is six months from date of financing. The maturity of other wholesale varies and in the case of farm equipment may be one year. With respect to factoring receivables, leases, notes and business loans receivables aggregating $539,574,887, the sum of $6,052,262 was more than 90 days past due, without applying reserves available to some of them.

The retail farm equipment outstandings, including leases, at December 31, 1962 again showed an increase over the previous year. We look forward to a continued expansion in this business.

The outstandings in fleet leasing at December 31, 1962 showed an increase over the previous year end. Of the fleet leasing outstandings, involving more than twenty-six thousand units, more than 95% are

MATURITY of RECEIVABLES versus SHORT TERM NOTES, as of December 31st



"finance leases" under which our subsidiaries, the lessors, are not responsible for the condition of the car or truck on its resale. This compares with 91% a year ago.

The business loans divisions of our finance subsidiaries experienced another record year with a volume of $948,576,825, compared to $887,540,849 in 1961.

Textile Banking Company, Inc., our factoring subsidiary, set another new record with a volume of $887,508,057 in 1962, compared to $758,428,504 for the previous year.

In total, 1962 was a good year for the finance subsidiaries of Commercial Credit Company. The increase in retail receivables acquired and the improvement in net income is encouraging. With our new organizational structure and the further refinements in operational procedures contemplated, we enter 1963 with considerable optimism.

RECEIVABLES ACQUIRED

	1962	1961
Motor retail	$ 686 914 018	$ 519 631 506
Farm equipment, mobile homes and other retail	247 234 532	291 801 227
Loan receivables	417 692 883	339 505 365
Motor wholesale	1 069 909 691	908 587 671
Factoring, open accounts, leases, other wholesale notes and mortgages	2 058 040 462	1 905 806 148
Total	$4 479 791 586	$3 965 331 917

RECEIVABLES OUTSTANDING (Dec. 31)

	1962	1961
Motor retail	$ 678 306 095	$ 603 299 091
Farm equipment, mobile homes and other retail	385 394 805	421 601 059
Loan receivables	297 480 363	238 475 075
Motor wholesale	191 233 610	159 580 806
Factoring, open accounts, leases, other wholesale notes and mortgages	572 965 605	512 191 215
	2 125 380 478	1 935 147 246
Sundry (principally unclassified items)	7 628 343	5 267 851
Total	$2 133 008 821	$1 940 415 097

CONSOLIDATED BALANCE

ASSETS

CURRENT ASSETS:		
Cash in banks and on hand		$ 53 439 646
Marketable securities:		
U. S. Government obligations	$ 13 817 048	
Other bonds and notes	6 478 573	
Total—at cost or amortized value (market $20 449 660)		20 295 621
Accounts and notes receivable:		
Motor retail	678 306 095	
Farm equipment, mobile homes and other retail	385 394 805	
Loan receivables	297 480 363	
Motor wholesale	191 233 610	
Factoring, open accounts, leases, other wholesale notes and mortgages	572 965 605	
Sundry accounts and notes receivable	7 628 343	
Total	2 133 008 821	
Less reserves for:		
Unearned income	144 362 034	
Losses on accounts and notes receivable	25 449 653	
Total reserves	169 811 687	
Total accounts and notes receivable less reserves		1 963 197 134
Total Current Assets		2 036 932 401
OTHER ASSETS:		
Investments in Manufacturing subsidiaries	40 126 622	
Investments in Insurance subsidiaries	98 463 420	
Due from Manufacturing and Insurance subsidiaries	11 526 835	
Land and buildings—less accumulated depreciation, including net equity in building subject to lien of $3 105 019	23 846 913	
Repossessions	1 629 728	
Total other assets		175 593 518
DEFERRED CHARGES:		
Prepaid interest, discount and debt expense	10 503 166	
Prepaid insurance and expenses	3 734 850	
Total deferred charges		14 238 016
		$2 226 763 935

Bonds carried at $273 700 were on deposit as required by law.
The terms of certain of the Company's long-term indebtedness provide that the Company will not permit net worth to be less than certain percentages of subordinated debt outstanding. Of the surplus at December 31, 1962, $127 378 306 is free of such restriction.

SHEET as of December 31, 1962

LIABILITIES, CAPITAL AND SURPLUS

CURRENT LIABILITIES:		
Deposit certificates and savings accounts	$ 112 467 091	
Notes payable—unsecured short term	932 806 500	
Credit balances of manufacturing and selling agents	34 078 572	
Due to Insurance subsidiaries	1 655 816	
Interest accrued on indebtedness	8 417 363	
Due customers only when receivables are collected	35 180 918	
United States and Canadian income taxes	18 531 162	
Other taxes and accounts payable	35 886 316	
Customers' loss reserves	34 289 949	
Total Current Liabilities		**$1 213 313 687**
RESERVES FOR:		
Canadian exchange fluctuations	2 426 998	
Fluctuations in security values	32 945	
Minority interests in subsidiaries	111 999	
Total reserves		**2 571 942**
UNSECURED NOTES AND LOANS		**508 500 000**
SUBORDINATED INDEBTEDNESS		**200 000 000**
CAPITAL STOCK AND SURPLUS:		
Preferred stock—4½% cumulative convertible $100 par value:		
Authorized—500,000 shares		
Issued and outstanding—371,244 shares	37 124 400	
Common stock—$5 par value:		
Authorized—15,000,000 shares		
Issued and outstanding—10,691,113 shares	53 455 565	
Capital surplus	6 708 465	
Earned surplus	92 877 867	
Undistributed profits and/or surplus of non-consolidated subsidiaries	114 214 950	
	304 381 247	
Less cost of 58,126 shares of common stock held in treasury	2 002 941	
Total capital stock and surplus		**302 378 306**
		$2 226 763 935

During the year, 52,510 shares of treasury stock were allocated to Stock Option Plan #2 and options for 49,680 shares granted thereunder. Stock Option Plan #1 has terminated with options unexercised for 102,485 shares still issuable from authorized but unissued shares.

Services Offered by Subsidiaries

FINANCE COMPANIES

A F L C, INC. AUTO FLEET LEASING, INC. COMMERCIAL CREDIT CORPORATION AND AFFILIATES
COMMERCIAL CREDIT OF MARYLAND, INC. COMMERCIAL CREDIT EQUIPMENT CORP.
C C LEASING CORPORATION INTERNATIONAL REDISCOUNT CORP.
THE CITY LOAN AND SAVINGS COMPANY COMMERCIAL CREDIT CORPORATION LIMITED

"Instalment Financing"—This is the purchase of retail time sales lien obligations covering the sale of automobiles, household appliances, industrial equipment, mobile homes, agricultural equipment, tractors, boats, marine equipment and other articles sold on the instalment plan. The seller receives cash for the sale while it allows the buyer to pay for his purchase out of income rather than wait till he has accumulated enough to pay cash.

"Wholesale Financing"—This is the acquisition of wholesale lien notes and acceptances covering, in most instances, the sale by manufacturers to their distributors and dealers of new merchandise that will be carried in stock awaiting resale to customers, usually on an instalment plan. It permits the dealer to use his own capital for operating purposes rather than have it tied up in inventory.

"Business Loans"—This is the making of loans on acceptable current accounts receivable (open accounts) of manufacturers, wholesalers, mills and converters without giving notice to their customers, who are the debtors on the accounts, of the assignment. It is known as the "non-notification plan," and the assignments are made either with the full guarantee of the sellers or with limited liability of the sellers, for credit losses. The selling concerns continue to make collections directly from their customers and to approve credits. Loans on inventories, on fixed assets and temporary unsecured advances also are made.

"Lease Financing"—This is the financing of mobile handling equipment and of fleets of motor vehicles, through the medium of leases, for manufacturers, wholesalers and retailers. It also includes the acquisition of leases on machinery and equipment of various kinds. In some instances, the Finance Companies acquire title to the vehicle, machinery or equipment and then lease it to a lessee, and in others, they acquire the leases from manufacturers, dealers or other third parties.

"Rediscounting"—This is advancing funds against loan receivables for consumer finance and loan companies.

"Amstel Club"—This provides American manufacturers of machinery and equipment with sales credit facilities in Austria, Holland, West Germany, Sweden, Switzerland, France, Belgium, Norway, Portugal and the United Kingdom with large institutions capable of furnishing the finest finance service in their respective countries. European manufacturers through liaison with this group have in the Finance Companies a ready source of medium term credit for their customers in the United States.

LOAN COMPANIES

COMMERCIAL CREDIT PLAN, INCORPORATED AND AFFILIATES C C PLAN, INC. AND AFFILIATES
COMMERCIAL CREDIT PLAN INDUSTRIAL BANK THE CITY LOAN AND SAVINGS COMPANY

"Loans"—This is the making of loans through industrial bank, industrial loan and small loan subsidiaries directly to individuals and so-called "character" and "co-maker" loans. These loans are repayable in instalments and where the security is an automobile, it usually is insured.

FACTORING COMPANIES

TEXTILE BANKING COMPANY, INC. SOUTHWEST TEXBANC, INC. PACIFIC TEXBANC, INC.

"Factoring"—This is the purchase of current accounts receivable primarily from manufacturers, wholesalers, mills and converters, subject to prior investigation and approval by the "factor" of the customers' credit. The "factor" takes the risk of loss and collects directly from the customers, who are notified by a legend on the invoices that payment should be made to the "factor." Advances on inventories and temporary unsecured advances also are made.

For service office locations see page 29.

Net income of the insurance subsidiaries for the year amounted to $10,569,400, as compared to $11,355,189 for 1961. These figures include the earnings of The Farmers & Bankers Life Insurance Company for the full year 1962 and, for comparative purposes, the earnings of our insurance subsidiaries for 1961 have been restated to include this company's earnings also for that year.

The year 1962 marked the entrance of our insurance subsidiaries into the general agency life insurance field through The Farmers & Bankers Life Insurance Company. This well-established company was founded in 1911 and has specialized primarily in the writing of ordinary life business in mid-western states. Its management and agency force have an excellent reputation in the insurance field and it is our intention to furnish the capital to permit them to achieve the growth potential available in many other states as well as in other areas of insurance protection. The earnings of this company in 1962 were considerably greater than they were in 1961.

During the year we changed the name of Cavalier Life Insurance Company, our non-agency life insurance company, to The American Health and Life Insurance Company. This company assumed the business formerly done by American Health Insurance Corporation, another of our insurance subsidiaries, which was writing credit health and accident insurance for our loan subsidiaries and also wrote general health and accident insurance under an agency set up in several states in the East and Southeast. The American Health and Life Insurance Company is now qualified to transact business in forty-seven states and the District of Columbia. The net income of this company decreased slightly from what it was in 1961.

These life insurance companies are, accounting-wise, not consolidated with other operations. The Farmers & Bankers Life Insurance Company and American Health and Life Insurance Company are included as an investment on the consolidated balance sheet. On the combined balance sheets of the insurance companies, which appear on page 25, these two companies are shown both separately and combined with the other insurance subsidiaries.

The Year in Review

INSURANCE COMPANIES

SUMMARY OF OPERATIONS

	1962	1961*
Written premiums, prior to reinsurance......	$41 769 895	$39 098 362
Earned premiums........................	$38 835 835	$39 944 036
Salaries, commissions—compensation........	5 799 476	5 833 571
All other operating expenses...............	2 423 485	2 987 213
Losses and loss expenses..................	27 994 504	26 680 521
Net underwriting profit....................	2 618 370	4 442 731
Net investment income....................	3 332 870	3 181 774
Net income of non-consolidated life insurance subsidiaries...........................	6 446 958	6 421 401
Sundry income..........................	464	346
Net income before United States income taxes	12 398 662	14 046 252
United States income taxes................	1 829 262	2 691 063
Net income from current operations.......	$10 569 400	$11 355 189
Unearned premium reserves—available for future operations, expenses and earnings...	$32 538 754	$32 553 677
Reserves for losses—available for payment of outstanding claims and claims expenses....	8 791 811	9 063 579

* 1961 restated to include The Farmers and Bankers Life Insurance Company.

Calvert Fire Insurance Company and the related companies which write physical damage insurance principally on automobiles, trucks, mobile homes and farm equipment that have been sold on the instalment plan, or pledged as collateral for personal loans, operated at a smaller net profit than last year. Net premiums written increased 13.4% to $29,351,708 and earned premiums were practically the same at $28,206,112. Loss ratios, including adjustment expenses, increased considerably, accounting for the smaller profit.

American Credit Indemnity Company continues to confine its activities to that of underwriting credit risks associated with commercial transactions. Premium volume remained high, despite increased underwriting selectivity. While the failure rate of businesses in both the United States and Canada continued at a high level, this company's net income was slightly higher than in 1961.

Again in 1962, the portfolios of securities owned by the insurance companies increased. Including The Farmers & Bankers Life Insurance Company at the end of both 1962 and 1961, the combined cost-amortized values for marketable securities owned were $164,509,993 at December 31, 1962, an increase of $16,692,541 during the year. Market prices were $172,645,233, or $8,135,240 in excess of cost-amortized values. Mortgage investments at December 31, 1962 were $30,532,694, policy loans were $3,787,606 and other investments were $665,204. The mortgage investments are largely on properties leased to outstanding corporations. The total of marketable securities and other investments was $199,495,497.

Total investments were divided as follows: 42% in tax exempt bonds; 31% in taxable bonds, a good part of which are short term U. S. Government obligations; 15% in real estate mortgages, 10% in quality common stocks; almost 2% in policy loans and less than ½ of 1% in other investments.

The portfolios produced income of $6,417,432 after taxes and expenses in 1962, compared with $5,931,730 in 1961. Capital gains or losses on sale of securities are not reflected in current operations and instead are credited to or charged against the reserve for fluctuations in security values, which reserve at the year end was $5,942,556.

Services Offered by Subsidiaries

INSURANCE COMPANIES

AMERICAN CREDIT INDEMNITY COMPANY OF NEW YORK
THE AMERICAN HEALTH AND LIFE INSURANCE COMPANY
CALVERT FIRE INSURANCE COMPANY
CAVALIER INSURANCE CORPORATION
EASTERN INSURANCE COMPANY
THE FARMERS & BANKERS LIFE INSURANCE COMPANY

"Physical Damage Insurance"—This is the insuring of automobiles, farm equipment, mobile homes and trucks against fire, theft, collision and accidental physical damage, principally sold on the instalment plan and financed by the Finance Companies. In addition, similar coverages are written for banks, loan companies and other financial institutions, and through regular insurance agents.

"Health Insurance"—This is the writing of individual or group health and accident insurance, including loss of income, hospitalization and surgical benefits, through local insurance agents. In many states some of these coverages are made available to borrowers who use the services of the Loan Companies.

"Life Insurance"—This is the insuring of lives of individuals under the terms of ordinary life, endowment and term insurance policies as well as group life policies.

"Commercial Credit Insurance"—This is a guarantee to manufacturers, wholesalers and others doing business with commercial accounts, that they will be reimbursed for abnormal credit losses arising from the failure of business debtors to pay. Regional service facilities are maintained for policyholders. The guarantee is assignable to financing companies and banks in support of commercial loans.

"Credit Life Insurance"—This is the insuring of lives of instalment purchasers or borrowers for the unpaid indebtedness owing to the Finance or Loan Companies. In addition, similar coverages are made available to banks, loan companies and other financial institutions, and through regular insurance agents. Also, reinsurance is assumed on selected group risks.

For service office locations see page 29.

Combined Balance Sheets

as of December 31, 1962

ASSETS	Life Insurance Companies	Other Insurance Companies	Total
CASH IN BANKS AND ON HAND	$ 1 870 523	$ 2 982 574	**$ 4 853 097**
MARKETABLE SECURITIES:			
U. S. Government obligations	11 139 142	31 325 639	**42 464 781**
State and municipal obligations	22 671 717	61 101 015	**83 772 732**
Canadian Government obligations	434 833	1 785 080	**2 219 913**
Other bonds and notes	16 717 348	25 000	**16 742 348**
Stocks	4 014 864	15 295 355	**19 310 219**
Total—cost or amortized value (market, $172 645 233)	54 977 904	109 532 089	**164 509 993**
MORTGAGE LOANS ON REAL ESTATE	30 465 952	66 742	**30 532 694**
POLICY LOANS	3 787 606		**3 787 606**
OTHER INVESTMENTS	665 204		**665 204**
PREMIUMS IN COURSE OF COLLECTION, NOT OVER 90 DAYS DUE:			
Due from agents and reinsurers	2 207 761	1 294 405	**3 502 166**
Due from affiliated companies	1 732 297	1 655 816	**3 388 113**
Total premiums not over 90 days due	3 940 058	2 950 221	**6 890 279**
SUNDRY RECEIVABLES, INCLUDING ACCRUED INTEREST	763 323	1 268 547	**2 031 870**
	$ 96 470 570	$116 800 173	**$213 270 743**

LIABILITIES, CAPITAL AND SURPLUS

	Life Insurance Companies	Other Insurance Companies	Total
ACCOUNTS PAYABLE:			
Sundry payables	$ 604 837	$ 872 858	**$ 1 477 695**
United States income taxes	1 283 610	1 978 886	**3 262 496**
Other taxes	444 609	1 030 647	**1 475 256**
Advance premiums paid, etc.	34 133	11 242	**45 375**
Total accounts payable	2 367 189	3 893 633	**6 260 822**
POLICYHOLDERS' FUNDS	1 015 903		**1 015 903**
UNEARNED PREMIUMS	2 012 091	32 538 754	**34 550 845**
LIFE RESERVES	54 876 569		**54 876 569**
RESERVES FOR:			
Losses and loss expense	3 115 830	8 791 811	**11 907 641**
Fluctuations in security values	880 497	5 062 059	**5 942 556**
Canadian exchange fluctuations		58 727	**58 727**
Total reserves	3 996 327	13 912 597	**17 908 924**
CAPITAL STOCK AND SURPLUS:			
Common stock	3 243 300	5 120 000	**8 363 300**
Surplus	28 959 191	61 335 189	**90 294 380**
Total capital stock and surplus	32 202 491	66 455 189	**98 657 680**
	$ 96 470 570	$116 800 173	**$213 270 743**

Securities carried at $45 878 173 were on deposit as required by law and bonds carried by the Life Insurance Companies at $2 671 055 are held in trust in connection with reinsurance arrangements.

Combined Consolidated Balance Sheet

as of December 31, 1962

ASSETS

CURRENT ASSETS:		
Cash in banks and on hand	$ 4 290 416	
Canadian Government obligations, at lower of cost or market	97 218	
Trade accounts and notes receivable, less reserve for bad debts—$239 404	12 528 785	
Sundry accounts receivable	103 853	
Inventories—at lower of cost or market except certain materials aggregating $2 009 904 at cost on basis of "last-in—first-out"	21 745 945	
Total Current Assets		$38 766 217
ADVANCES TO FOREIGN AFFILIATES		592 806
FIXED ASSETS:		
Land	1 493 075	
Buildings	10 833 293	
Machinery and equipment	20 443 809	
	32 770 177	
Less—accumulated depreciation	13 194 273	
Total fixed assets		19 575 904
DEFERRED CHARGES, PREPAID INSURANCE AND EXPENSES		555 643
		$59 490 570

LIABILITIES, CAPITAL AND SURPLUS

CURRENT LIABILITIES:		
Trade accounts and other payables	$ 3 726 221	
United States and Canadian income taxes	1 700 767	
Other taxes	712 354	
Accrued expenses	1 709 013	
Due to affiliated companies	5 090 593	
Total Current Liabilities		$12 938 948
ADVANCES—LONG TERM:		
Notes due to affiliated company		6 425 000
CAPITAL STOCK AND SURPLUS:		
Capital stock	7 200 000	
Capital surplus	800 000	
Earned surplus	32 126 622	
Total capital stock and surplus		40 126 622
		$59 490 570

This year marks the 20th year of our ownership of most of the manufacturing subsidiaries. During that 20-year period the present companies have earned $71,000,000 and paid $41,000,000 in dividends to Commercial Credit Company, with the difference being reinvested in their respective businesses.

In the year 1962, six of the companies operated at a profit that amounted to $2,066,336, or at an average annual rate of return of 6%. Two operations operated at a net loss of $1,155,077. The aggregate of the entire group therefore was a combined net income of $911,259.

Of the two operations that resulted in a net loss, one involved three companies and this operation is in the process of being liquidated and sold—in fact, two of the companies have been liquidated completely and the loss figure includes the tax credit arising therefrom. We have mentioned previously that this one operation was the subject of an intense study. The conclusion reached justified an immediate liquidation.

The Year in Review

MANUFACTURING COMPANIES

The other company which operated at a loss is in heavy industry and experienced considerable expense in 1962 on product changes and the absence of sales during that period. Its management reports good trade acceptance for the new product and barring unforeseen economic conditions they anticipate an outstanding year in 1963.

It is appropriate that on this 20th anniversary we cover these operations in more detail. There has been a tendency to speak of the manufacturing companies in the aggregate as though they were but divisions of one large unit. The fact is that each company operates with its own management team within a particular product area. Each company is competent and respected for its performance in its own field. In each instance the management has the opportunity to share in the profit of the operation under its control. Costs, therefore, are all important under such a program. No company borrows money from anyone other than from Commercial Credit Company and capital expenditures are carefully scrutinized. During 1962 material additions have been made to plant and equipment totalling $4,539,206 and more are on the planning board for 1963. Many new products have been added and

SUMMARY OF OPERATIONS

	1962	1961
Net sales	$129 370 877	$128 652 573
Cost of goods sold	118 124 238	117 633 443
Gross profit	11 246 639	11 019 130
Salaries, commissions—compensation	4 901 907	5 047 325
Administrative and general expenses less other income	4 455 930	4 100 739
Net income before U. S. and Canadian taxes on income	1 888 802	1 871 066
U. S. and Canadian taxes on income	977 543*	1 271 359
Net income from current operations	$ 911 259	$ 599 707
Invested capital at December 31	$ 40 126 622	$ 41 535 389
Advances by affiliated company at December 31	11 515 593	8 468 402

* Including credits applicable to liquidated companies

research and development studies are aggressively carried on. One of the companies is today making a substantial contribution to the space and missile program. Each is a contributor to the well being of the community where it operates and each has an excellent record for good labor relations within its plant. The total number employed at December 31st was 5,225, with an aggregate annual payroll of $28,850,180.

While we do not seek out additions to this group, we cannot afford to overlook good investment opportunities. Most of those opportunities are referred to us by the present management of one or another of our manufacturing subsidiaries and such was the case recently which resulted in our entering into an agreement to acquire the stock of The Shaffer Spring Company, Inc. of Elk Grove Village, Illinois, in exchange for Commercial Credit Company common stock. This company specializes in the manufacture of precision springs, particularly adapted to motor and electronic uses and to the housing industry. The management will continue as before. We will furnish the additional capital needed to expand its operations immediately to meet the current demand for its products.

Products Offered by Subsidiaries

MANUFACTURING COMPANIES

AGAR PACKING COMPANY
Chicago, Illinois
Pork packing and provisions

HATELY BROTHERS COMPANY
Chicago, Illinois
Lard processing and cold storage

CRONAME, INCORPORATED
Chicago (Niles), Illinois
Metal stampings, name plates, dials for various kinds of instruments, instruction plates and other products made from metal, glass and plastics

CRONAME (CANADA) LTD.
Waterloo, Quebec
Name plates, instrument dials, oil burner equipment, cap pistols and caps and hardware

GOSLIN-BIRMINGHAM MANUFACTURING COMPANY, INC.
Birmingham, Alabama
Special heavy machinery, including heavy iron castings, heat interchangers, filters and evaporators

THE GRABLER MANUFACTURING COMPANY
Cleveland, Ohio
Pipe fittings, cast in malleable or gray iron, brass or bronze

THE KAYDON ENGINEERING CORPORATION
Muskegon, Michigan
Roller and ball bearings and bearing equipment

HARVELL-KILGORE CORPORATION
Toone, Tennessee
Pyrotechnics

MILLER PRINTING MACHINERY CO.
Pittsburgh, Pennsylvania
Printing machinery and presses

KEROTEST DIVISION
Pittsburgh, Pennsylvania
Steel and brass valves

Cities in United States and Canada where service is offered by

THE FINANCE, LOAN or INSURANCE SUBSIDIARIES OF COMMERCIAL CREDIT COMPANY

ALABAMA
*(3) Birmingham
Brewton
Crichton
(2) Decatur
Dothan
(2) Florence
Huntsville
Jackson
(2) Mobile
(2) Montgomery
Prichard

ARIZONA
(3) Phoenix
(2) Tucson

ARKANSAS
(2) Camden
(2) Fort Smith
Hot Springs
(2) Jonesboro
(3) Little Rock
(2) Pine Bluff

CALIFORNIA
Anaheim
Compton
Covina
(2) Fresno
Glendale
Hayward
Long Beach
(9) Los Angeles
Modesto
Oakland
(2) Sacramento
San Bernardino
(3) San Diego
(8) San Francisco
San Jose
Santa Ana
Santa Barbara
Stockton
Sunnyvale
Torrance
Van Nuys

COLORADO
(3) Denver
(2) Grand Junction
(2) Pueblo

CONNECTICUT
Bridgeport
(2) Danbury
(3) Hartford
New Haven
Waterbury
West Hartford

DELAWARE
(2) Wilmington

DISTRICT OF COLUMBIA
(3) Washington

FLORIDA
Daytona Beach
(2) Ft. Lauderdale
Ft. Myers
Gainesville
(4) Jacksonville
Lakeland
Melbourne
(3) Miami
Ocala
(3) Orlando
(2) Panama City
Pensacola
St. Petersburg
(2) Tallahassee
(2) Tampa
(2) W. Palm Beach

GEORGIA
Albany
(8) Atlanta
(3) Augusta
(3) Columbus
Decatur
(2) Macon
(2) Savannah
(2) Valdosta

IDAHO
Boise
Pocatello
Twin Falls

ILLINOIS
Arlington Hgts.
(2) Aurora
(25) Chicago
Chicago Hgts.
(2) Danville
(3) Decatur
East St. Louis
Joliet
Lansing
Midlothian
Moline
Mt. Vernon
Oak Lawn
(2) Peoria
(2) Rockford
(3) Springfield
Waukegan

INDIANA
Bloomington
Elkhart
(2) Evansville
(2) Ft. Wayne
(3) Gary
Hammond
(6) Indianapolis
Lafayette
Logansport
Marion
Michigan City
Muncie
New Albany
(3) South Bend
Terre Haute
Vincennes

IOWA
Burlington
Cedar Rapids
(3) Davenport
(3) Des Moines
Sioux City
Waterloo

KANSAS
Manhattan
Salina
Topeka
(2) Wichita

KENTUCKY
(2) Ashland
Bowling Green
Covington
(2) Harlan
(2) Lexington
(3) Louisville
(2) Paducah
Pikeville

LOUISIANA
(2) Alexandria
(2) Baton Rouge
Bossier City
(2) Lafayette
Lake Charles
Metairie
(2) Monroe
New Iberia
(5) New Orleans
Shreveport

MAINE
(2) Bangor
Lewiston
Portland
Presque Isle

MARYLAND
(26) Baltimore
Catonsville
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Hagerstown
Reisterstown
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MASSACHUSETTS
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(2) Meridian
Natchez
(2) Tupelo

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Jefferson City
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Overland
Poplar Bluff
(2) Rolla
(6) St. Louis
Springfield

MONTANA
Billings
Butte
Great Falls
(2) Missoula

NEBRASKA
(3) Omaha

NEVADA
Las Vegas
Reno

NEW HAMPSHIRE
Keene
(2) Manchester

NEW JERSEY
(2) Asbury Park
Atlantic City
(2) Camden
East Orange
Jersey City
Newark
Paterson
Trenton

NEW MEXICO
Albuquerque
Hobbs

NEW YORK
(2) Albany
(2) Binghamton
Brooklyn
(5) Buffalo
Elmira
Flushing
Glens Falls
Hempstead
Jamaica
Jamestown
Malone
(11) New York
(2) Newburgh
Niagara Falls
Patchogue
(2) Rochester
Schenectady
(3) Syracuse
Utica
White Plains

NORTH CAROLINA
Asheville
(6) Charlotte
Durham
(2) Fayetteville
(3) Greensboro
(2) Greenville
(2) Hickory
Kinston
(2) Lumberton
New Bern
(2) Raleigh
Rockingham
(2) Rocky Mount
Wilmington
(2) Winston-Salem

NORTH DAKOTA
Fargo

OHIO
(4) Akron
Alliance
Ashland
Ashtabula
Athens
Barberton
Barnesville
Batavia
Bellaire
Bellefontaine
Bellevue
Blanchester
Bowling Green
Bryan
Bucyrus
Cadiz
Caldwell
Cambridge
(5) Canton
Carrollton
Celina
Chagrin Falls
Chardon
Chillicothe
(9) Cincinnati
Circleville
(15) Cleveland
(11) Columbus
Conneaut
Coshocton
Crooksville
Cuyahoga Falls
(8) Dayton
Defiance
Delaware
Dover
East Liverpool
East Palestine
Eaton
Elyria
Euclid
Fairborn
Findlay
Fostoria
Fremont
Galion
(2) Gallipolis
Georgetown
Girard
Greenville
Grove City
Hamilton
Hillsboro
Hubbard
Huron
Ironton
Jackson
Jefferson
Johnstown
Kent
Kenton
Lancaster
Lebanon
(3) Lima
Lisbon
Logan
London
(2) Lorain
(2) Mansfield
Marietta
Marion
Martins Ferry
Marysville
Massillon
Maumee
McArthur
McConnelsville
Medina
Miamisburg
Middletown
Milford
Millersburg
Mount Gilead
Mount Vernon
Napoleon
Nelsonville
(2) Newark
New Boston
Newcomerstown
New Lexington
New Philadelphia
Newton Falls
Niles
Norwalk
Norwood
Ottawa
Painesville
Paulding
Piqua
Pomeroy
Port Clinton
(2) Portsmouth
Ravenna
Salem
Sandusky
Shelby
Sidney
(2) Springfield
Steubenville
(2) St. Clairsville
St. Marys
Tiffin
Tipp City
(5) Toledo
Troy
Uhrichsville
Upper Sandusky
Urbana
Van Wert
Wadsworth
Wapakoneta
(3) Warren
Washington C. H.
Wauseon
Waverly
Wellston
Wellsville
West Union
Westerville
Willard
Willoughby
(2) Wilmington
Woodsfield
Wooster
Xenia
(3) Youngstown
(2) Zanesville

OKLAHOMA
Ada
Altus
Chicasha
Duncan
Lawton
Muskogee
(4) Oklahoma City
Shawnee
Tulsa

OREGON
Eugene
Medford
(4) Portland
Salem

PENNSYLVANIA
(2) Allentown
Altoona
Beaver Falls
(2) Butler
Canadensis
(2) Chester
Erie
(2) Greensburg
(2) Harrisburg
(2) Indiana
(2) Johnstown
Lancaster
Lock Haven
McKeesport
New Castle
Norristown
(5) Philadelphia
(7) Pittsburgh
(2) Reading
Scranton
Uniontown
Upper Darby
(2) Washington
Wilkes-Barre
(2) Williamsport

RHODE ISLAND
Coventry
(2) Providence

SOUTH CAROLINA
Anderson
(4) Charleston
Charleston Hgts.
(3) Columbia
(2) Florence
(3) Greenville
Lexington
(2) Myrtle Beach
(2) Orangeburg
(2) Spartanburg
Sumter

SOUTH DAKOTA
Rapid City

TENNESSEE
(2) Bristol
(3) Chattanooga
(2) Jackson
(2) Knoxville
(5) Memphis
(3) Nashville

TEXAS
(2) Abilene
(2) Amarillo
Austin
Beaumont
Big Spring
Corpus Christi
(8) Dallas
El Paso
(3) Ft. Worth
(2) Harlingen
(7) Houston
(2) Lubbock
McAllen
(2) Odessa
(2) Paris
San Angelo
(2) San Antonio
Sherman
Tyler
(2) Waco
(2) Wichita Falls

UTAH
Cedar City
Ogden
Provo
(5) Salt Lake City

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(2) Green Bay
La Crosse
(3) Madison
(5) Milwaukee
Oshkosh
Racine

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Cheyenne

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Amherst, N. S.
Belleville, Ont.
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Edmonton, Alta.
Grimsby, Ont.
Halifax, N. S.
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Kitchener, Ont.
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Ottawa, Ont.
(2) Quebec, Que.
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Saskatoon, Sask.
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*Numbers before listings indicate multiple office locations in that city.

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